

Application/Control Number: 10/035,890
Art Unit: 3691

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3624



PATENT

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re: Application of: NAGAN, D and DUNHAM, E. JR.

Serial No. 10/035,890

Examiner: Lalita M. Hamilton

Filing date: December 31, 2001 Group Art Unit: 3624

For: PROGRAMMED ASSESSMENT OF TECHNOLOGICAL
LEGAL AND MANAGEMENT RISKS

Request for continued examination transmittal

Commissioner of Patents
P.O.Box 1450
Alexandria, VA 22313-1450

Sir,

Introductory Statement

Applicants submit this request for continued examination in response to the official action dated April 9, 2007. This request contains:

Arguments pointing out the differences between Stoltz and Nagan which make the comparison inappropriate. The comments are in blue/**bold** and are inserted in the response following the examiners comments.

Reconsideration and allowance are requested

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A large, stylized handwritten signature in black ink, likely belonging to Douglas A. Nagan, is positioned to the right of the contact information.

DETAILED ACTION

Summary

On November 3, 2006, an Office Action was sent to the Applicant rejecting claims 1-10. On January 2, 2007, the Applicant responded with arguments.

Claim Rejections - 35 USC 102

The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless -

(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351 (a) shall have the effects for purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

Claims 1-10 are rejected under 35 U.S.C. 102(e) as being anticipated by Stoltz (2003/0125997).

We request reinstatement of our claims and request a patent be issued in that the subject matters as a whole would not be obvious to a person of ordinary skill in the art to which the subject matters pertain. In Stoltz what is claimed is a method for use in compliance management using a standard severity risk index. This subject matter is entirely different from the subject matter of assessing risk of loss.

We delineate the basis for our request for reinstatement in our responses in bold following each of the rejections.

Our responses can be summarized as follows:

- 1. Stoltz use of the term 'risk assessment' is not the same as our use the term in our application. As detailed below, Stoltz uses the term in**

connection with measuring and assessing risk associated with regulatory and statutory compliance issues and not to determine the possibility of loss. Making the connection from an approach that assesses a degree of compliance to one of assessing a real potential for loss would not be obvious to a person of ordinary skill in the art. In Stoltz, the art of assessing risk associated with regulatory and statutory compliance issues is distinctly different from the art of analyzing the potential for real loss from legal, technological or business causes.

2. Stoltz uses the term 'severity risk index' to mean the expected risk associated with non compliance. In other words 'risk' in Stoltz is as estimate of the potential impact of non compliance, it is not a measure of loss. The focus is on compliance not on determining risk by examining the underlying causes and parameters of a situation. If Stoltz determined the risk of non compliance by assessing the underlying parameters of a given operation (processes, procedures, technologies, business practices and the like), then it would be obvious to a person having ordinary skill in the art that his assessment of risk would be similar to ours. That, however, is not the case. Stoltz' art is compliance management which is a different art than assessing the risk of loss.
3. Stoltz's teaching is directed toward compliance management. It would not be obvious to one of ordinary skill in the art of managing compliance that it is the same as the art involved in assessing the risk of a loss, or potential loss. In fact the teachings are not the same. While Stoltz uses some similar terms for information and data, the claims describe wholly different processes and represent different arts. Accordingly, the comparison is inappropriate.
4. A person of ordinary skill in the art to which the subject matter pertains in Stoltz's case would be a person skilled in the art of compliance management. A person of ordinary skill in the art to which the subject matter pertains in Nagan would be a person skilled in assessing the potential for loss. Neither invention would be obvious to persons of ordinary skill in the others subject matter as they are operating in different knowledge areas using different professional skills and training.
5. In Stoltz (p9 Para 0119 claim 1) what is claimed is: 'A method for use in compliance management' nowhere in the claims is risk of loss mentioned. The claims use risk indexes to determine compliance issues. Stoltz, in its own words, is addressing a different issue (compliance management) from Nagan (risk of loss). The subject matters are different, the objective different, and the skills necessary different.
6. For these reasons, as amplified and supported by the detailed responses below, the differences between the subject matter which we seek to patent and the prior art are such that the subject matter as a whole would not have been obvious at the time the invention was made to a person having

ordinary skill in the art to which said subject matter pertains. We therefore request our claims be approved and a patent be granted.

Stoltz discloses a method for risk assessment comprising creating a questionnaire containing a series of questions for prompting a user to supply information segmented according to risk areas, wherein the risk areas encompass categories of potential losses including legal and technological exposures in business practice, operational procedures, historical experience, compliance with regulations, and external threats including infrastructure failures and third party actions, providing a data store for recording data identifying user responses to the questions; programming a series of scoring rules containing an algorithm whereby the user responses are interpreted as indicating a predetermined level of risk at least as to categories of said potential losses and exposures, presenting the questionnaire to a user and collecting the user responses in the data store, processing the user responses through the scoring rules and the algorithm to generate a report identifying risk levels according to the risk areas (p.1, 11 to p.2, 17; p.2,28 to p.3, 52; p.4, 54; and p.5, 67 to 9.6, 105);

The above paragraph, and others that follow, is taken from the Nagan application. We assume the numeric references are to Stoltz and are cited to demonstrate that Stoltz uses the same approach. We respectfully disagree with this finding. We will review each of the items in turn.

The first reference is p.1, 11 to p.2, 17. Our response follows.

p.1, 11 'Another object of the present invention is to provide a system and method for identifying regulatory and statutory issues associated with various business practices. '

We do not see the comparison. The object, from Stoltz's own words is to identify regulatory and statutory issues not determine potential losses. We do not see how this reference applies.

p1, 12 *'Another object of the invention is to provide a system and method for measure and assessing risk associated with regulatory and statutory compliance issues.'*

In order to understand this we need to understand what Stoltz means by risk. The definition occurs on page 4, para 0054 '... the prioritization process involves determining a total risk score equal to the product of the three indicators: a detection index, an occurrence index, and a severity risk index. The higher the total risk score, the more severe the risk of non-compliance.' To summarize in Stoltz risk represents the likelihood a compliance issue will be detected (detection index), combined with the likelihood non compliance will occur, combined with the severity of penalties should non compliance come to the attention of the regulators and the public. This is different that the definition of risk in Nagan which is potential losses. We believe this difference in risk definition makes the comparison inappropriate and not applicable.

p2, 13 *'Another object of the invention is to utilize a standard risk rubric to measure and assess risk associated with regulatory and statutory compliance issues.'*

We believe the response to p1, 12 above addresses this paragraph as well since Stoltz's definition of risk is a mathematical combination of detection, occurrence and severity which is not the same as in Nagan where risk is the potential for loss. We believe this difference in risk definition makes the comparison inappropriate and not applicable.

p2, 14 *'Another object of the invention is to provide a uniform measure of risk assessment to enable companies to identify risk trends.'*

We believe the response to p1, 12 above addresses this paragraph as well since Stoltz's definition of risk is a mathematical combination of detection, occurrence and severity which is not the same as in Nagan where risk is the potential for loss. We believe this difference in risk definition makes the comparison inappropriate and not applicable.

p2, 15 *'Additional objects and advantages of the invention will be set forth in part in the description which follows, and in part will be obvious from the description, or may be learned by practice of the invention. The objects and advantages of the invention may be realized and attained by means of the instrumentalities and combinations particularly pointed out in the appended claims.'*

We believe this paragraph is not specific to this invention but to all inventions and is not relevant as a matter of unique art to Stoltz.

p2, 16 *'To achieve the objects, and in accordance with the purposes of the invention, as embodied and broadly described herein, this invention, in one aspect, includes a method for use in compliance management. Specifically, according to the inventive method, at least one user is presented, via a computer, with a series of questions relating to at least one business category. Next, responses are solicited from the at least one user, via the computer, for each question presented. Lastly the at least one business category are prioritized, via the computer, based on the at least one user's responses and at least one standard severity risk index.'*

This paragraph outlining how Stoltz's invention is to be used in compliance management. The fact that Stoltz uses questions and Nagan uses questions does not make the inventions similar. As mentioned in the response to p1, 12 above, Stoltz's questions determine the detection, occurrence and severity of compliance issues, where compliance is the adherence to a regulation. Nagan's questions determine the likelihood of loss. This difference in the nature and objective of the questions make the comparison inappropriate and not applicable.

p2, 17 *'In another aspect, the invention includes a system for use in compliance management. Specifically, the system includes a query module associated with an engine for presenting at least one user with a series of questions relating to at least one business category, and for soliciting and receiving responses from the at*

least one user for each question presented. The system also includes a prioritization module associated with the engine for prioritizing the at least one business category based on the at least one user's responses and at least one standard severity risk index.'

As in the prior response this paragraph outlines how Stoltz's invention is to be used with a computer system. The fact that Stoltz uses a computer to present the questions and Nagan uses a computer as well does not make the inventions similar. As mentioned in the response to p1, 12 above, Stoltz's questions determine the detection, occurrence and severity of compliance issues, where compliance is the adherence to a regulation. Nagan's questions determine the likelihood of loss. This difference in the nature and objective of the questions make the comparison inappropriate and not applicable.

The second reference is to p.2, 28 to p.3, 52. Since para. 28 is on page 3 we think this reference should have begun with para. 27 on page 2 and will start there.

P2, 27 *'FIG. 1 illustrates one embodiment of the method of the invention. The method 100 shown may be used in compliance management, such as measuring and assessing business area risk based on the unit or department responses to questions presented. As shown, the process 100 is initiated at step 110, wherein questions are presented to a user (i.e., corporate department or unit) regarding compliance issues relevant to one or more business areas and/or categories. In a regulated industry, for example, a particular unit or department, e.g. a compliance office, may be responsible for ensuring – or at least measuring or gauging – the level of compliance within the company and its departments and units. In this case, the compliance office may design a survey containing questions designed to inquire about particular issues that may arise within specific business areas. For instance a group of questions may be designed to inquire about the area of Product Development. Further the questions may be classified*

to inquire about specific categories within the area of Product Development, such as, for example, product design, e-business, and state product filings. The following is an example:

As in the prior response this paragraph outlines how Stoltz's invention is to be used in compliance management. The fact that Stoltz uses questions and Nagan uses questions does not make the inventions similar. In the paragraph cited Stoltz says: ' . . . wherein questions are presented to a user (i.e., corporate department or unit) regarding compliance issues relevant to one or more business areas and/or categories.' And as mentioned in the response to p1, 12 above, Stoltz's questions determine the detection, occurrence and severity of compliance issues, where compliance is the adherence to a regulation. Nagan's questions determine the likelihood of loss. Another difference is that Stoltz has the compliance office designing the survey questions. While we have said that the use of questions is not significant it does seem to us that the questions are important to the effective functioning of either invention and their crafting requires knowledge in the art, in Stoltz's case compliance management and in Nagan assessing likelihood of loss. We are concerned that if one as Stoltz suggests, allowing users of the invention to craft the questions puts effectiveness of the invention at risk. This difference in the nature and objective of the questionnaire and questions make the comparison inappropriate and not applicable.

p3, 28 to p3, 41 are a series of questions meant as examples, and since the user craft the actual questions we believe the reference is not relevant in comparing the inventions.

p3, 42 'As drafted, the above questions inquire about specific issues within categories of the Product Development area. . . . The specific issues targeted by the questions may of course vary depending upon the nature of eh industry and other considerations '

This paragraph relates to how the questions are crafted in Stoltz, which since the users are allowed to craft the questions in actual usage, such guidance is important to their invention. In addition the questions inquire about compliance issues, and not as the likelihood of loss, we do not think the reference relates to prior art that is relevant to Nagan which makes the comparison inappropriate and not applicable.

p3, 43 *'Next, at step 120, responses to the survey questions are solicited from the corporate departments or units. . . . The GUI presents the questions and provides the appropriate areas to the department or unit to provide responses.'*

This paragraph does not represent a unique approach but describes standard practice in the development of computer systems and user interaction. All necessitated by Stoltz's having the user craft the questions. Since Nagan does not contemplate this the comparison is inappropriate and not applicable.

p3, 44 *'According to one embodiment, responses to the questions are limited to "yes" or "no" answers, which may be indicated by entering a "1" or, "2" respectively, in the appropriate area. . . . In another embodiment, the department or unit may designate "N/A" (Not Applicable) in response to a question, which may be indicated by inputting a "0".'*

This paragraph does not represent a unique approach but describes standard practice in the use and development of questionnaires and user interaction. All necessitated by Stoltz's having the user craft the questions. Since Nagan does not contemplate this the comparison is inappropriate and not applicable.

p3, 45 - 52 *'According to yet another embodiment, "Yes" and "No" responses can be further classified to provide for more specific or detailed responses. In such an embodiment, for example, responses may be provided according to the following scale: (p47-52 are examples of scale from 0-5)*

This paragraph does not represent a unique approach but describes standard practice in the use and development of questionnaires and user interaction. Since Nagan does not contemplate this the comparison is inappropriate and not applicable.

p4, 54 *'Next, once the questions have been properly answered by the participating departments or units, at step 130, the process initiate prioritization of the various business areas. The prioritization process of step 130 is shown in more detail in FIG. 2. According to one embodiment, the prioritization process involves determining a total risk score equal to the product of three indicators: a detection index, an occurrence index, and a severity risk index. The higher the total risk score, the more severe the risk of non-compliance. In one embodiment, the detection index weighs the total risk score based, among other things, on the responses provided to the individual questions; the occurrence index weighs the total risk score based on the potential consequences of non-compliance; and the severity risk index weighs the total risk score base on the expected severity of non-compliance. In one embodiment, each category surveyed is associated with particular detection, occurrence, and severity risk indices.'*

This paragraph describes the mathematics used to create Stoltz's total risk score a higher one of which indicates more severe risk of non compliance. Since Nagan does not calculate the risk of non-compliance but the risk of potential loss or exposure we do not believe the reference is applicable.

P5, 67 to p6, 105 (in the original this is described as p5, 67 to 9.6, 105. we are assuming the 9.6 was a typo and should have been p6)

p5, 67 *'Next, at step 160, a severity risk index is selected. The severity risk index weighs the total risk score based on the expected risk of non-compliance. According to one embodiment, a severity risk index is selected for each category of questions within a business area, i.e., product design, e-business, and state product filings. According to another embodiment, the compliance office*

determines the severity risk index. For example, regarding the above questions relating to Product Development, once the compliance office receives a particular department or unit's response, it proceeds to determine a severity risk index for each of the three categories. In yet another embodiment, the severity risk index may be determined before response are received from the departments or units. According to another embodiment, there may be two types of severity risk indicators: one relating to external categories and another to internal categories. External categories may include but are not limited to categories where compliance is partially based on internal factors. What classifies an external or internal category may be determined by the compliance office in keeping with the company's organizational structure and functions. The following are examples of severity queries considered by the compliance office in selecting a severity risk index for each category of questions presented.'

As stated in this paragraph the objective is to determine the risk of non-compliance as we have noted previously this risk is different from the risk of loss that Nagan describes. Also the embodiments described require the intervention of the company's compliance office to determine the severity index. This required manual intervention to establish parameters seems to us to define Stoltz not as an automated process such as is described in Nagan. Since the objective is not the same, the nature of the risk is not the same and the processes are significantly different we do not believe the comparison is relevant.

p5, 68 *'External – How severe an impact would be placed on the business (e.g. external exposure, regulatory risk, litigation exposure) if processes/actions around the topic in question (1) did not exist, or (2) did not occur as they should.'*

This paragraph defines terms used in Stoltz and since Nagan does not use the same terms the reference is not relevant.

p5, 69 *'Internal – How severe an impact would be placed on internal functions if processes/actions around the topic in question (1) did not exist, or (2) did not occur as they should.'*

This paragraph defines terms used in Stoltz and since Nagan does not use the same terms the reference is not relevant.

p5, 70 *'In one embodiment, the compliance offices may respond to the above queries by selecting or indicating the expected severity risk associated with non-compliance. In one embodiment, the response to the query may be selected from a range of numbers comprising a predetermined severity rubric, each number representing a specific level of risk severity. For instance, the following is an example of standard severity risk rubric contemplated by the invention.'*

As stated in this paragraph the objective is to determine the risk of non-compliance as we have noted previously this definition of risk is different from the risk of loss that Nagan describes. Also the embodiments described require the intervention of the company's compliance office to determine the severity index. This required manual intervention to establish parameters seems to us to define Stoltz not as an automated process such as is described in Nagan. Since the objective is not the same, the nature of the risk is not the same and the processes are significantly different we do not believe the comparison is relevant.

p5-6, 71- 92 *define levels of risk with numeric values from 1-10 each defined as increasing levels of risk.*

This paragraph defines terms used in Stoltz and since Nagan does not use the same terms the reference is not relevant.

P6, 93 *'Following selection of severity risk indices for each of the categories surveyed, at step 170, a total risk score is calculated for each category of questions presented indicating the level of severity. According to one embodiment, the total risk score for each category is determined by calculating the product of*

the detection, occurrence, and severity risk indices. In this embodiment, the higher the total risk score, the higher the level of risk severity.'

As stated in para 70 above risk as defined by Stoltz is the risk associated with non-compliance. Nagan is determining the risk of loss. Compliance and loss are different subjects and the expertise required is different and arts. We do not believe the comparison is correct.

p6, 94 *'To summarize the method of the invention, an example is provided. Assume 110 two business units, Business Unit #1 and Business Unit #2, are being surveyed regarding the area of Product Development. As part of the survey, each unit receives the above questions relating to the categories of product design (questions 1-3), e-business (questions 4-6), and state product filings (questions 7-10), In response the, units answer as follows:'*

This paragraph is an introduction to the example that follows and since Nagan does not use the same formulas or terms the comparison is not relevant.

p6, 95-103 These paragraphs delineate the mathematical formulas used in Stoltz and since Nagan does not use the same formulas or terms the comparison is not relevant.

P6, 104 *'Based on these numbers, the method of the invention indicates the category of e-Business has a higher risk severity that the other two categories. Using this information, the compliance office can better allocate its resources to improve compliance scores in subsequent or follow-up surveys.'*

This paragraph summarizes the mathematical example from the prior paragraphs and provides an example of the action the compliance office might take. Since the terms are different (what 'risk' means), and the follow up is described as improving compliance scores we do not see the comparison with Nagan. No where do they provide recommendations to address the possibility of loss. Because the risk described is different (risk of non-compliance vs. risk of loss or exposure), the objectives are different

(improved compliance scores vs. actions to lessen loss or exposure), the disciplines are different (compliance vs. loss management) and the outputs are different (no recommendations in Stoltz) we do not believe the comparison is appropriate.

p6, 105 *'FIG.3 illustrates one embodiment of a system 300 that may be used to perform the method of FIGS. 1 and 2. As shown, the system 300 may include a plurality of client stations 310 that may be accessed by representatives of the individual departments or units to answer a survey or a series of questions relating to compliance of laws or regulations of various business areas and categories. The survey or series of questions may be prepared and administered by a compliance office, for example. In one embodiment, each client station 310 may be located at the corresponding department of unit. In another embodiment, a client station 310 may be portable to provide maximum accessibility to the survey or series of questions. In such an embodiment, the representative answering the survey or series of questions has the added flexibility of moving around the department or unit to interact with individuals having more direct knowledge of the relevant compliance issues.*

This paragraph describes the benefits of networking terminals, stationary or portable to access the questions. This is standard practice and while it helps describe the operation of the application it is not, in and of itself patentable. We believe the reference is inappropriate.

Since the following paragraphs refer to the same references (p.1, 11 to p.2, 17: p.2, 28 to p.3, 52; p.4, 54; and p.5,67 to 9.6, 105) we will not reiterate the responses set forth above.

storing a series of recommendations associated with the risk areas, selecting among the recommendations as a function of at least one of the user responses and the risk levels identified by said processing step, and presenting selected ones of the recommendations in the report (p.1, 11 to p.2, 17: p.2, 28 to p.3, 52; p.4, 54; and p.5,67 to 9.6, 105): creating a database and storing the questions and the user responses for a

plurality of users for comparison in risk assessments of future users (p.1, 11 to p.2, 17; p.2,28 to p.3, 52; p.4, 54; and p.5, 67 to 9.6, 105); one of segmenting of the risk areas, creating the questionnaire and composing the algorithm comprises reliance on available data and judgment of professionals skilled in the risk areas (p.1, 11 to p.2, 17; p.2, 28 to p.3, 52; p.4, 54; and p.5, 67 to 9.6, 105); the risks comprise at least one of risk of potential loss or exposure due to computational deficiency, denial of service, security breach, violation of legal regulations, violation of established law, tortuous conduct, contractual breach, insufficient capacity to meet contractual obligations, breach of commitment of confidentiality, violation of intellectual property rights, and failure to adhere to multi-jurisdictional differences in regulations (p.1, 11 to p.2, 17; p.2, 28 to p.3, 52; p.4, 54; and p.5, 67 to 9.6, 105); the risks are selected from the group consisting of risk of potential loss or exposure due to computational deficiency, denial of service, security breach, violation of legal regulations, violation of established law, tortuous conduct, contractual breach, insufficient capacity to meet contractual obligations, breach of commitment of confidentiality, violation of intellectual property rights, and failure to adhere to multi-jurisdictional differences in regulations (p.1, 11 to p.2, 17; p.2, 28 to p.3, 52; p.4, 54; and p.5, 67 to 9.6, 105); the risks consist of risk of potential a-claim loss or exposure due to computational deficiency, denial of service, security breach, violation of legal regulations, violation of established law, tortuous conduct, contractual breach, insufficient capacity to meet contractual obligations, breach of commitment of confidentiality, violation of intellectual property rights, and failure to adhere to multi-jurisdictional differences in regulations (p.1, 11 to p.2, 17; p.2, 28 to p.3, 52; p.4, 54; and p.5, 67 to 9.6, 105); questionnaire requires selection among a limited set of possible answers and the algorithm quantifies risk based on each possible answer (p.1, 11 to p.2, 17; p.2, 28 to p.3, 52; p.4, 54; and p.5, 67 to 9.6, 105); the questionnaire requires selection among yes/no and numeric answers (p.1, 11 to p.2, 17; p.2, 28 to p.3, 52; p.4, 54; and p.5, 67 to 9.6, 105); and the questionnaire permits at least one of a missing answer and an answer indicating a lack of information, and wherein the algorithm

assesses the risk levels as a function of said one of a missing answer and said lack of information (p.1, 11 to p.2, 17; p.2, 28 to p.3, 52; p.4, 54; and p.5, 67 to 9.6, 105).

Response to Arguments

Applicant's arguments with respect to claims 1-10 have been considered but are moot in view of the new ground(s) of rejection.

For the reasons outlined above, the prior art cannot be said to teach or disclose applicant's invention as a whole. A rejection under 35 U.S.C. §102 is unwarranted. Moreover, the only way that one can even arguably identify in Stoltz abstracted similar ideas such as the use of questions or some involvement of user information, there is no incentive shown or remotely arguable that would lead a person of ordinary skill to modify Stoltz in a manner that might lead to applicant's invention claimed as a whole.

Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Lalita M. Hamilton whose telephone number is (571) 272-6743. The examiner can normally be reached on Tuesday-Thursday (6:30-2:30).

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Kalinowski Alexander can be reached on (571) 272-6771. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO

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800-786-9199 (IN USA OR CANADA) or 571-272-1000.